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DE RUEHBJ #1160/01 0870900
ZNY CCCCC ZZH
O 270900Z MAR 08
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6114
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEHAS/AMEMBASSY ALGIERS 0342
RUEHGB/AMEMBASSY BAGHDAD 0159
RUEHDM/AMEMBASSY DAMASCUS 0319
RUEHIL/AMEMBASSY ISLAMABAD 6673
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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 001160

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E.O. 12958: DECL: 03/27/2033
TAGS: [PTER](#) [PREL](#) [EFIN](#) [ECON](#) [ENRG](#) [KNNP](#) [ASEC](#) [TW](#) [CH](#)
SUBJECT: U.S.-CHINA COUNTERTERRORISM DIALOGUE: CSI,
MEGAPOINTS, TERRORIST FINANCE, OVERSEAS THREATS TO CHINESE
(PART 2 OF 4)

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Classified By: Deputy Political Section Chief Ben Moeling. Reasons 1.4
(b) and (d).

SUMMARY

¶1. (C) At the March 25 U.S.-China Counterterrorism Dialogue in Beijing, the U.S. and Chinese delegations, led respectively by U.S. Ambassador at Large for Counterterrorism Dell Dailey and MFA International Organizations and Conferences Department Director General Wu Hailong, agreed that the United States and China made progress in advancing counterterrorism cooperation through the Container Security Initiative (CSI) and the Megaports program. China sought U.S. agreement to expand bilateral CSI cooperation to monitor shipments of solid waste from the United States to China by initially dispatching five Chinese customs officials to two U.S. ports. The United States recognized China's progress in improving its counterterrorist finance regime, while both sides agreed that China must amend legislation to allow for more rapid seizure of terrorist assets. DG Wu discouraged U.S. efforts to formalize Megaports and CSI cooperation with Taiwan under the banner of counterterrorism. Ambassador Dailey reaffirmed the U.S. one China policy, but considered this issue a political issue separate from a counterterrorism issue. DG Wu also briefed on the rising threat of "terrorism" to overseas Chinese citizens, which he said resulted in the deaths of 40 Chinese nationals in 2007. End Summary.

CSI and Megaports Cooperation Progressing Smoothly

¶2. (C) At the March 25 U.S.-China Counterterrorism Dialogue in Beijing, General Administration of China Customs (GACC) Director Dang Xiaohong praised U.S.-China cooperation in

implementing the Container Security Initiative (CSI) and in establishing a pilot Megaports program at the Yangshan Deepwater Port in Shanghai. She noted that Chinese ports participating in CSI have received high marks in assessments conducted by U.S. officials.

13. (C) Dang also sought U.S. cooperation in expanding bilateral CSI cooperation by monitoring shipments of solid waste from the United States to China. Such a program would be based on U.S. overseas CSI operations and would initially involve the dispatch of five Chinese customs officials to two U.S. ports. The officials would be responsible for cooperating with U.S. authorities to check and verify solid waste cargo destined for China. Embassy Beijing Customs and Border Protection (CBP) Representative responded that this issue has been under discussion since December 2007, and that CBP is still waiting for a specific proposal from GACC. Ambassador Dailey and DG Wu encouraged customs agencies and border protection authorities from both countries to engage in further discussion of this issue. Dailey noted he was uncomfortable including "solid waste cargo" in counterterrorism discussions.

China Opposes Formal U.S.-Taiwan CT Cooperation

14. (C) DG Wu stated China's opposition to what it perceives as U.S. moves to develop official cooperation with Taiwan under the auspices of counterterrorism. He expressed concern about the execution of the Megaports and CSI programs in Taiwan under the banner of counterterrorism without first consulting with China. Wu said he believes that if the United States does not address the Taiwan question in the Counterterrorism Dialogue, it could have a negative affect on bilateral counterterrorism cooperation in the future. He

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asked the United States to "abide by the one China policy" and discouraged any U.S. efforts to formalize counterterrorism cooperation with Taiwan through multilateral organizations, in particular APEC. Ambassador Dailey assured DG Wu that the United States takes China's concerns seriously and reaffirmed the United States commitment to our one China policy based on the three joint communiques and the Taiwan Relations Act. However, he stressed this issue is a political issue separate from counterterrorism issues. He warned that our Counterterrorism Dialogue could lose relevance if it begins to include a larger discussion of broad issues such as this. Issues that have a minimal counterterrorism application should not be added to the counterterrorism portfolio.

Counterterrorist Finance Moving in the Right Direction

15. (C) Embassy's Minister Counselor for Financial Affairs noted that China made strides over the past 18 months in strengthening its counterterrorist finance regime, in particular by enacting a comprehensive anti-money laundering law in 2006 and by joining the Financial Action Task Force (FATF) in 2007. He pointed out that the United States worked hard to support China's membership in the FATF even though China had been found non-compliant with a number of the FATF's core requirements. He explained that China does not have a law criminalizing terrorist activities. In addition, China lacks laws that enable it to implement UN obligations by quickly freezing the assets of terrorists and terrorist organizations listed by the UN 1267 committee. These weaknesses leave China's financial sector vulnerable to abuse by terrorist organizations, he explained.

16. (C) People's Bank of China (PBOC) Anti-Money Laundering Department Director Hao Xiangjie thanked the United States for its support of China's membership in the FATF and reported that the PBOC has developed an interagency action plan aimed at addressing the weaknesses in China's AML/CTF

system noted by the FATF. Hao stated that the PBOC already has a team in place to draft an amendment to the laws that criminalize terrorism. The PBOC will allow FATF members to review the draft amendment prior to its submission to the National People's Congress in June of this year. Hao said the PBOC shares the FATF's concerns about the timely freezing of terrorist assets. The PBOC will soon convene a working group that will incorporate all parties involved in this issue, including the Ministry of Justice, the Ministry of Public Security and the MFA. Hao emphasized that it will take a long time to propose and pass amendments to laws on terrorist finance, but she noted that the PBOC is already able to issue guidance to banks to notify them of potential threats, including by distributing the names of UN-designated terrorists and terrorist organizations to Chinese banks. In addition to its efforts to strengthen counterterrorist finance legislation, the PBOC is leading efforts to increase information sharing between banks and law enforcement agencies, Hao reported.

Terrorist Threat to Overseas Chinese on the Rise

17. (C) DG Wu said he is concerned by the rising threat of terrorism to overseas Chinese citizens. In 2006, approximately 34.52 million Chinese nationals traveled to or resided in over 200 countries. Chinese enterprises are also expanding overseas, with over 10,000 Chinese-owned businesses currently operating beyond China's borders. Since 2003, Chinese nationals have been the target of attacks in Afghanistan, Niger, Pakistan, Sri Lanka and Ethiopia. In 2007 alone, 40 Chinese nationals were killed in terrorist

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attacks and 80 were wounded, Wu said. (Comment: Wu did not offer a definition of what he considers terrorist attacks. It is unclear whether the attacks he mentioned were committed by known terrorist groups or whether they stemmed from civil unrest, violent crime or a combination thereof.) Ambassador Dailey told Wu that the United States faces similar challenges in protecting American citizens overseas and said the United States would be happy to engage in further exchange of ideas on these issues. He explained to Wu how the Overseas Security Advisory Council at U.S. embassies works with the business community to promote security awareness and noted that a similar program at Chinese embassies could have a positive effect.

18. (U) The delegation has cleared this cable.
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